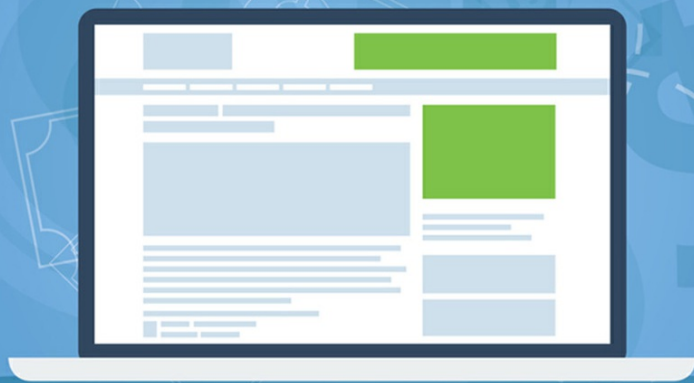# 15 QUESTIONS ABOUT ONLINE ADVERTISING

Massimo Moruzzi

15 QUESTIONS ABOUT ONLINE ADVERTISING

From the Author of:

What Happened To Advertising? What Would Gossage Do?

15 Questions About Online Advertising

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This book is dedicated to the memory of my grandmother, Nonna Angela.

- Saint-Rhémy-en-Bosses (AO), Italy, July 2015

INTRO

The real question of course is: Does online advertising work?

Unfortunately, it's impossible to give a simple answer to this apparently straightforward question. For starters, this is not a single question, but at least three different ones, as we shall see. The right question to ask would be: for whom does online advertising work?

But even before we try to answer this question, we need to define what we're talking about: banner ads; not search ads, nor classified ads.

Then we need to ask ourselves how online advertising started, what it was supposed to be like, if it worked out as advertised, why it went astray, why it's still around, what it has become etc.

Let's get started.

1. WHY BANNER ADS?
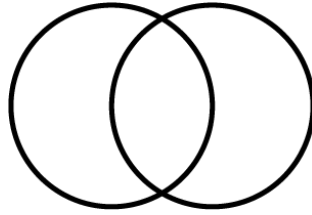
Why were banner ads introduced in the first place, starting with the infamous 1994 AT&T banner ad on Wired.com that said: "Have you ever clicked your mouse right HERE? YOU WILL!"? [1]

Because advertising seemed easy. Easy to implement, and easy to explain to investors. There's advertising in the paper and in magazines, right? So here comes this new medium with a lot of words and a modicum, back then, of images. What to do? You stick your company's logo in a coloured rectangle and you're done!

Web startups could sign a deal with an ad network, forget about sales and focus on building an audience. If revenues were insufficient to cover the costs, which was the rule, it didn't matter because the mantra was that a site with millions of users would surely find a way to generate revenue sometime in the future. The later, the better [2].

At least until the Bubble burst.

2. WHAT WAS ONLINE ADVERTI-SING SUPPOSED TO BE LIKE?
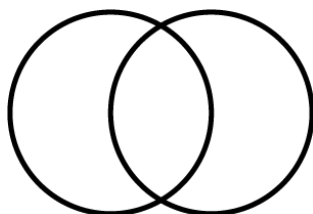
Online advertising was supposed to be wonderful, new, and exciting. But most of all, *interactive*! The idea was that, for reasons which I have yet to understand, people would want to "interact" with banner ads. Thus the IAB, or Inte-ractive (not Internet, mind you) Advertising Bureau, was born.

My first question is: why in the world would you want anybody to "interact with your ads"? Wasn't the goal of ad-vertising to convince people to buy your bloody product?

Second question: do you interact with TV ads? I usually head up and go to the bathroom. Why in the world would it be any different online, when I'm completing an impor-tant task or doing something that interests me and not just killing time in front of the dumb screen? [3]

3. DID IT WORK OUT AS ADVERTISED?

No. Nobody wanted to "interact". Nobody even clicked.

What was once called "interactive advertising" is now called "display advertising", i.e. advertising nobody "interacts" with. The average click rate on banner ads is around 0.1%, or one in a thousand, and less than half that little for the old format, the 468×60 banner ad [4].

It's pretty crude but, if you believe what Solve Media says, you are much more likely to survive a plane crash than to click on a banner ad [5].

To add insult to injury, those who do click are a small number of people who account for a disproportionate amount of clicks: 8 percent of Internet users account for 85 percent of clicks. And guess what? It's mostly the poor and the uneducated who click on banner ads. Were those the people you wanted to "target"? [6]

4. WHY NOT?
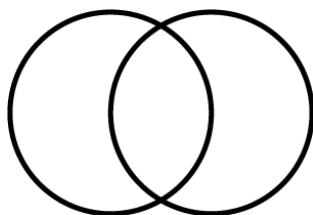
The days of the ridiculous banner ad barter exchange networks and of websites that used banner ads to promote areas or features of their own websites whenever nobody bought an ad placement are long gone, and not missed.

But still: how many web pages do you browse in a day? There's at least a banner ad on every single page, and sometimes more than one.

Why were web users – that is, us – expected to interact with all these things in large numbers? Somebody should explain to those who work in advertising that users are not half as entertained as they are about the product of their work, especially if it's delivered in a poor format like banner ads and with sub-par creativity. Did they really think that we had nothing better to do online?

Think again.

5. WHY ARE BANNER ADS STILL AROUND?
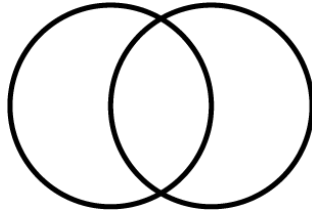
Banner ads have shown remarkable staying power as a format, especially if you consider how badly they have under-performed. Why are they still around? Because nobody had the guts or the imagination to come up with something better and smarter.

Sure, the IAB made them bigger, and standardised the sizes, but the format itself was never questioned [7].

What happened instead was a furious race to extract at least some value out of this waste land, out of these billions of banner ads that laid bare and unsold after the Bubble burst. Affiliate marketing, then Google's Adsense, then behavioural targeting, retargeting, search retargeting etc.

No matter how improved the targeting, click-through rates remain abysmal.

6. IS ALL THIS TARGETING GOOD?
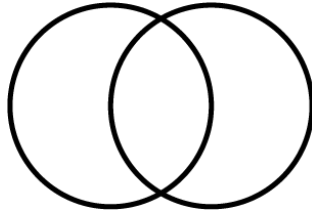
No, it's not.

If it were good, Apple wouldn't say with pride that Safari is "the first browser to block these cookies by default", would they? Apple could easily implement *more* tracking than other browsers. Why don't they? Why doesn't Apple's browser "help you connect and share with your favorite brands"? [8]

Let me tell you why it's not good from a simple business perspective: because the breach of privacy and the abuse of trust is increasingly resented, and more resented the more consumers understand how it works [9]; and as a result, ad-blocking software being more widespread than anti-tracking software, people decide to block ads altogether.

In 2014, 41% of Americans under the age of 30 used Ad-Block to block out ads [10].

7. IS THIS ADVERTISING AT ALL?
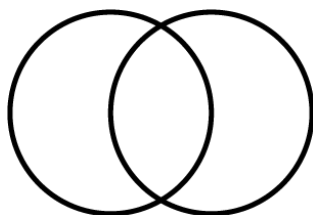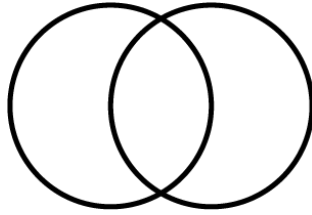
No, not really.

In the days before brand became a verb, and more specifically something you do to manipulate consumers, advertisers invested large amounts of money to put their name in front of large segments of the population. Their promise to the world was fairly simple: this is our product, it's great, it does this and that and we are sure you'll love it! [11]

From the days of Don Peppers and Martha Rogers's *The One to One Future*, it's been a race to get your company to speak with (actually: to) the individual consumer. Success, however, has been bittersweet. An audience of one is not an audience. With no audience and no promise to the wider public, it's not advertising anymore [12].

It's just direct marketing on steroids fuelled by tracking that would have put the KGB – or the NSA – to shame.

8. HOW BIG IS THIS THING?

It's huge.

According to Comscore, a staggering 5.3 trillion display ads impressions were delivered in the U.S. in 2012, with Q4 seeing the most at 1.4 trillion – up 6 percent from 2011. AT&T ranked as the #1 advertiser with 104.8 billion ad impressions. Microsoft came in second with 47.4 billion impressions. No fewer than 445 different advertisers delivered more than a billion banner ads in 2012 [13].

In 2014, display ads were expected to be worth about 50 billion USD worldwide, or about 10% of the total global ad spend [14]. Which is amazing for a format which was presented as a revolution, failed utterly and ended up becoming creepy direct marketing of the worst kind which fails publishers and advertisers alike and antagonises consumers.

9. WHAT IS PROGRAMMATIC?
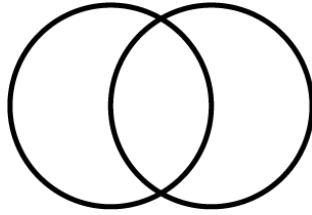
Programmatic is a set of technologies that automate the buying, placement, and optimisation of media inventory in the digital space: display ads, video ads, and mobile ads [15].

Programmatic advertising technology promises to make the ad buying system quicker and more efficient: it allows advertisers to buy guaranteed ad impressions in advance from specific publisher sites, and it allows publishers to sell ad space via real-time auctions, with real-time bidding (RTB).

While RTB has historically been associated with remnant inventory, the technology is now applied to a wider range of inventory. Or, as I like to say, it's (almost) all remnant inventory: Advertising on the web has become the reign of large-scale, low-quality direct response that buys ad space anywhere it can find it and judges it just by the results.
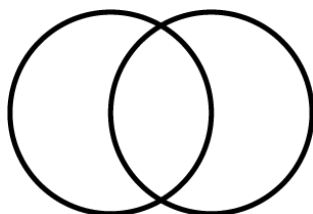
10. DOES ONLINE ADVERTISING WORK FOR PUBLISHERS?
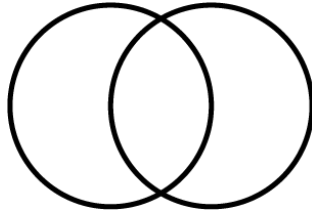
No, it doesn't.

In the move from analog to digital, publishers are getting digital pennies [16] for the analog advertising dollars they used to make.

Why? First, because "online advertising" is direct marketing, and direct marketers are pretty stingy with their money. Second, because the vast improvements in targeting mean that they can find the users they want on any site; it's not necessary to pay more to show their ads on sites with good content or a good reputation.

Lastly, because there are so many intermediaries taking a cut in the targeting war on consumers [17] that, according to Tim Armstrong, CEO of AOL, only between 25% and 45% of the money spent makes it as far as the publishers [18].

11. DOES IT WORK FOR ADVERTISERS?

Not as "advertising".

As Bob Hoffman says: "Please show me a company that was able to create a brand with online advertising" [19].

It's direct marketing, except that a direct marketer will attribute a sale only if there's a direct and demonstrable link from his effort to the sale. But what happens when you try to attribute a sale to a type of advertising in which a carefully executed branding banner ad gets fewer clicks than a blank, empty white one? [20]

When you start pretending that a consumer was "influenced" by a banner ad he or she never clicked on, but fail to do the same with the big money spent on print, radio or TV ads, or with the fact that certain brands are very powerful and worth billions, or with the fact that their merchandise is shown in stores, we have a problem [21].

12. DOES IT WORK FOR THE MIDD-LEMEN?
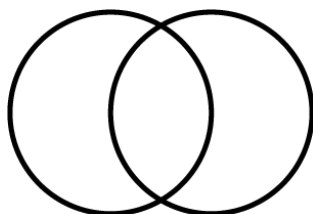
You bet it does!

That's why they are pushing it! With the notable exception of Apple, this is Silicon Valley's new business model of choice! Following Google's incredible success, even Microsoft, a company that did pretty well selling software, set up entire divisions – think about Bing, or Windows Mobile – based on the idea that the future would be ad-supported.

One of the problems is precisely that it is Silicon Valley's business model. It has become a tech thing: it's all about targeting and results and large-scale number-crunching. Creativity and wit don't count a thing anymore.

The other problem is that it doesn't work. But this is a great opportunity for Silicon Valley to sell companies more services to target, slice and dice, or to trick people into thinking that it's all fine.

13. IS IT A GIGANTIC SCAM?
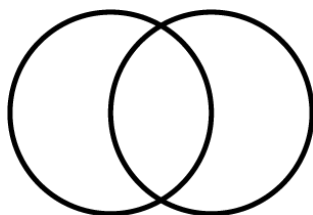
Well, there are plenty of small and large scams.

In November, 2014, Google reported that 56% of the display ads were "not viewable" [22]. Comscore reports very similar numbers [23]. So let's put it this way: yes, it is very opaque to say the least, and you should be careful.

But the real problem is that the banner ad is a poor format that was sold to us as gold (interactive advertising) when in fact it is toxic lead, low-quality direct marketing which works only thanks to the extreme tracking of users' habits that is increasingly resented.

And, even so, it "works", or gives you the impression of working, only if you bend the rules of direct marketing and start counting the "influence" a banner ad nobody clicked on may have had on a successive sale. This is the real scam.

# 14. SHOULD MY COMPANY STAY AWAY FROM BANNER ADS?
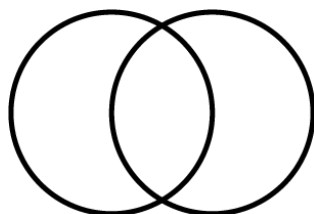
If you are a startup, do whatever it takes. You have no brand to compromise, and you could well be dead within 6 months, so go ahead. If for some strange reason banner ads bring you the right users at the right price, go for it!

If, on the other hand, you are an established company, do you really want to do low-level direct marketing which often upsets your customers just because you are told you should?

Instead, ask yourself: Would you advertise on dubious newspapers or magazines? Would you buy ads without knowing where they are going to run? Would you place TV ads late at night and in the company of shady advertisers?

Why not? Because the places where you advertise and the other advertisers in whose company you advertise do matter.

15. IS THERE ANY HOPE FOR ONLI-NE ADVERTISING?
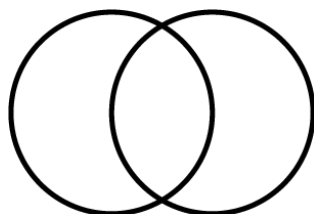
Meaning: Can parts of the web remain free and supported by quality online advertising, advertising companies can feel comfortable buying, advertising that could actually help them and advertising that could pay the bills for publishers?

Probably not, if you ask me.

Don Marti, however, has an interesting contrarian idea which is worth exploring: serious publishers should tell their readers how badly they are being tracked, opt-out of the scheme and insist that their readers do the same by installing anti-tracking software that would make it impossible for advertisers to target them on dubious websites, thus forcing advertisers to go back to the old ways of having to spend good money it they want to reach an interesting audience on a quality website. Will it work? [24]
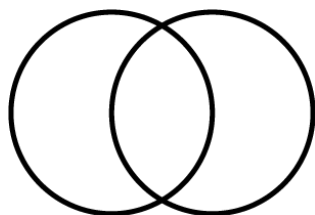
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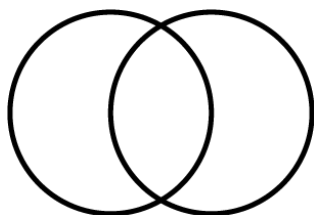
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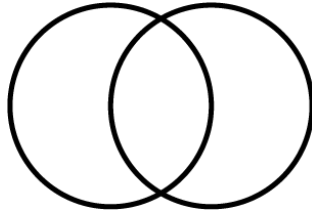*What Happened To Advertising? What Would Gossage Do?*

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